

ANNUAL REPORT
2010 / 2011



HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

S. 94 of 2011
Hong Kah Town Council's
Audited Financial Statements, Auditors' Reports and
Annual Report 2010/2011

Ordered by Parliament to lie upon the Table
7 October 2011

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

C O N T E N T S

	<u>PAGE</u>
Chairman's message	1 - 3
Independent auditors' report	4 - 5
Statement of comprehensive income	6 - 7
Statement of financial position	8
Statement of changes in funds	9
Statement of cash flows	10
Notes to the financial statements	11 - 43

HONG KAH TOWN COUNCIL ANNUAL REPORT 2010/2011

Chairman's Message

OVERVIEW

It has been exciting times for the Town Council.

The Chua Chu Kang Five-Year Town Renewal Plan, a master concept plan detailing the major developments by the Town Council and government agencies for our estates for 2011 to 2015 will be unveiled soon. We will continue to upgrade and develop our Town to make it a better home for our residents.

Our vision is An Active and Vibrant Community – where everyone has the space and opportunities to participate and be involved in the community, to build strong family and community bonds, and develop a greater sense of ownership of the Town. We will create more space so that our old and young, men and women, from all walks of life can meet, interact and build social resilience.

ACHIEVEMENTS IN LAST FIVE YEARS

As we look forward to the next five years, it is timely to take stock of our achievements over the last five.

Upgrading Programmes

Close to \$158 million worth of upgrading was carried out in our estates by the Government and Town Council from 2006 to 2010. Residents living in 192 of our blocks now enjoy the use of new lifts and lift access on every floor as a result of the Lift Upgrading Programme (LUP) and Town Council Lift Upgrading Programme (TC-LUP). Residents in another 82 blocks have benefited from new facilities in their estates, such as covered linkways, anti-junk mail letterboxes and lifts on every floor, through the Interim Upgrading Programme Plus (IUP Plus).

The rejuvenation of our estates continues. One of the notable projects in progress is the first Neighbourhood Renewal Programme, or NRP, in our Town, for Blocks 337 to 346 Bukit Batok Street 34. By 2013, residents will have covered linkways connecting their blocks and enjoy other new facilities such as fitness corners, playgrounds and new-generation letter boxes, while their blocks will look renewed with a fresh coat of paint. The NRP and repainting works are estimated to cost \$5 million and the cost is fully funded by the Government and Town Council.

An Exhibition and Town Hall Forum was conducted on 19 February 2011 for our second NRP at Blocks 402 to 411 and 413 to 417 Bukit Batok West Avenue 4/7. Many of the valuable suggestions raised by residents during the Forum were incorporated into the NRP Plan. The upgraded estates will bring much convenience to residents, and will definitely be a better environment for all to live in.

Following the successful completion of the Revitalisation of Shops Scheme for Teck Whye Shopping Centre in early 2010, the Bukit Gombak N3 Neighbourhood Centre comprising Blocks 371 to 376 Bukit Batok Street 3 is also undergoing ROS. Tender was called in October 2010 to construct canopies and vertical blinds at the shop fronts and linkways and a stage at the common areas. The project is estimated to cost \$1.62 million and targeted for completion in early 2012.

Improvement Projects and Cyclical Maintenance

Over the last five years, we carried out more than \$27.4 million worth of improvement projects and another \$106.5 million of cyclical works.

A top request from residents is for shelter from the elements in the form of covered linkways and drop-off points. Budget and site conditions permitting, we have over the years made connectivity a priority. Residents will be pleased to know most of our estates now have covered walkways linking blocks to bus stops, schools and neighbourhood centres. Some of the other popular projects implemented were fitness stations, hardcourts, community corners and sport facilities such as street soccer courts and basketball courts. Our estates are also now barrier-free, providing seamless accessibility for residents.

Where cyclical maintenance is concerned, these large-scale, expensive projects to keep our estates in good repair included overhauling re-roofing, rewiring and replacement of ageing components for refuse chute and water pump systems.

C.A.R.E. FOR OUR HOME CARNIVAL

We have also put in much effort into publicity programmes to inculcate good social habits in HDB living. One of our biggest community outreach campaigns was C.A.R.E. for our Home, launched in April 2010. The essence of the C.A.R.E. message is that by making a Commitment to take Action to better our estates and Responsibility for our behaviour and actions, we can make our Environment a better Home for all.

The C.A.R.E. message is reinforced through several avenues, chief of which is a roving exhibition of educational posters that aim to help inculcate good values and civic-mindedness in HDB living. The exhibition has made its round of all the residents' committees (RCs) in our Town and has been very well received.

FINANCIAL REVIEW

Singapore's economy expanded by a spectacular 14.7 per cent, making it one of the fastest-growing economies in the world, and the top performing one in Asia, for 2010.

The buoyant economy has also led to better employment opportunities for some of our residents who were facing financial difficulties. This has in turn translated into a better position for our S&CC arrears management, an improvement that is reflected in the second Town Council Management Report (TCMR) released by the Ministry of National Development for the period of April to September 2010. The TCMR is MND's assessment of the performance of all Town Councils in Singapore. In arrears management, our Town Council achieved Level 1 banding for both the number of households with S&CC overdue for three or more months and amount of S&CC overdue for three or more months.

Against the backdrop of our nation's exceptional performance, the Town Council, too, enjoyed better returns in our investments for the financial year under review, continuing a trend from the previous financial year. The majority of the Town Council's funds are invested in Government bonds and our investments returned 2.3 per cent in Financial Year 2010/2011.

With prudent management, our financial health is in the pink. As at 31 March 2011, we accumulated a surplus of \$1.94 million in this financial year and the total accumulated surplus stood at \$11.68 million.

S&CC PROMPT PAYMENT DRAW 2010

To encourage timely payment of the S&CC and also to promote the use of GIRO, the Town Council organised an S&CC Prompt Payment Draw in 2010. Residents who paid their S&CC promptly and were not in arrears had the chance to win up to 12 months of free S&CC.

The draw has since successfully concluded and 100 of our happy residents have won more than \$10,000 in the form of S&CC credited into their accounts.

MOVING FORWARD

We have planned to unveil our next Town Renewal Plan in April 2011. Our projects will focus on the themes of an active and vibrant lifestyle, improving our living environment, enhancing connectivity and encouraging community bonding.

To this end, we will establish more "3G Hubs" in our estates. A 3G Hub will be an all-in-one activity area with facilities that can be enjoyed across three generations and everyone in the family. By spending time together, family ties can be strengthened. This is just one of the many exciting projects in store for residents.

The Town Council will continue to focus on our core business to improve the conservancy and maintenance of the common areas.

I am deeply grateful to all the assistance rendered to us by the various Government agencies and grassroots organisations in our daily operations.

I would also like to thank all residents too, for your patience, understanding and support over the years.

On behalf of everyone at the Town Council, I thank you for your friendship and look forward to your continued support as we embark on another new chapter.



ZAQY MOHAMAD
Chairman

INDEPENDENT AUDITORS' REPORT TO HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

We have audited the accompanying financial statements of Hong Kah Town Council ("the Town Council") which comprise the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in funds and the statement of cash flows of the Town Council for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 43.

Management's Responsibility for the Financial Statements

The Town Council's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Town Councils Act, Cap 329A (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the Town Council's preparation of financial statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Town Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


INDEPENDENT AUDITORS' REPORT TO HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Town Council as at 31 March 2011 and the results, changes in funds and cash flows of the Town Council for the year ended on that date.

Report on Other Regulatory Requirements

During the course of our audit, nothing has come to our attention which caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Town Council for the year ended 31 March 2011 have not been made in accordance with the provisions of the Act. Further, the accounting and other records required by the Act to be kept by the Town Council have been properly kept in accordance with the provisions of the Act.


.....
Mazars LLP
Public Accountants and
Certified Public Accountants

Singapore: 22 August 2011

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	<u>Notes</u>	<u>2011</u> S\$	<u>2010</u> S\$
OPERATING INCOME			
Conservancy and service fees	5	45,012,811	44,847,435
Less: Operating income transfer to Sinking Funds (minimum required by law)	5, 6	15,604,331	15,553,097
		29,408,480	29,294,338
Agency fees	8	4,163,668	3,854,352
Other income	9	2,672,194	2,371,024
		36,244,342	35,519,714
Less:			
OPERATING EXPENDITURE			
Cleaning works		6,025,130	5,957,734
Managing agent fees		4,518,367	4,454,173
Lift maintenance		5,564,166	5,097,478
Other works and maintenance		6,209,556	6,433,357
Water and electricity		14,121,666	13,012,366
General and administrative expenditure	10	1,629,956	1,446,516
		38,068,841	36,401,624
		(1,824,499)	(881,910)
OPERATING DEFICIT			
Add:			
NON-OPERATING INCOME			
Investment income	11	146,049	108,072
		(1,678,450)	(773,838)
DEFICIT BEFORE TAXATION AND GOVERNMENT GRANTS			
Less:			
GOODS AND SERVICES TAX	12	272,818	329,048
INCOME TAX EXPENSE	13	124,181	47,252
		(2,075,449)	(1,150,138)
DEFICIT BEFORE GOVERNMENT GRANTS			
Add:			
Government grants	14	19,117,240	10,484,258
Less: Transfer to Town Improvement and Project Funds	7	3,111,313	4,392,966
Transfer to Sinking Funds	6	11,986,363	2,065,784
		4,019,564	4,025,508
SURPLUS FOR THE FINANCIAL YEAR		1,944,115	2,875,370

The annexed notes form an integral part of and
should be read in conjunction with these financial statements


HONG KAH TOWN COUNCIL
 (Established under the Town Councils Act, Cap 329A)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	<u>Notes</u>	<u>2011</u> S\$	<u>2010</u> S\$
Surplus for the Financial Year	5	1,944,115	2,875,370
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Net change in fair value of financial assets	6	2,984,230	6,631,939
Sinking Fund expenditure net of transferred service and conservancy changes and government grant		11,155,659	(5,428,649)
Town Improvement and Project Funds	7	(85,785)	1,963,968
Neighbourhood Renewal Programme Fund	15	56,204	278,760
Total Comprehensive income for the Financial Year		<u>16,054,423</u>	<u>6,321,388</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Notes	2011 S\$	2010 S\$
TOWN COUNCIL FUNDS AND RESERVES			
RESIDENTIAL PROPERTY FUNDS			
Accumulated Surpluses	5	-	648,427
Sinking Funds	6	131,481,372	117,638,355
Town Improvement and Project Funds	7	2,010,145	2,094,656
Neighbourhood Renewal Programme Funds	15	334,964	278,760
		133,826,481	120,660,198
COMMERCIAL PROPERTY FUNDS			
Accumulated Surpluses	5	7,091,507	5,941,709
Sinking Funds	6	14,780,943	14,484,071
Town Improvement and Project Funds	7	1,651,841	1,653,115
		23,524,291	22,078,895
CARPARK			
Accumulated Surpluses	5	4,591,648	3,148,904
		161,942,420	145,887,997
Represented by:			
NON-CURRENT ASSETS			
Plant and Equipment	16	17,470	15,227
Held-to-maturity Investments	17	35,250,000	2,000,000
		35,267,470	2,015,227
CURRENT ASSETS			
Conservancy and Service Debtors	18	1,615,729	1,983,062
Other Debtors	19	7,761,623	8,691,609
Interest receivable		577,791	582,094
Financial Assets at Fair Value through Profit or Loss	20	47,902,882	70,698,509
Fixed Deposits	21	63,590,732	57,781,747
Cash and bank balances	21	10,873,589	11,211,099
		132,322,346	150,948,120
Less:			
CURRENT LIABILITIES			
Conservancy and Service Fees Received in Advance		465,432	450,782
Creditors and Accrued Expenses	22	4,450,322	6,099,199
Income Tax Payable		731,642	525,369
		5,647,396	7,075,350
NET CURRENT ASSETS		126,674,950	143,872,770
		161,942,420	145,887,997


ZAQY MOHAMAD
CHAIRMAN


CHRISTINA GOH CHOY BOON
SECRETARY

The annexed notes form an integral part of and
should be read in conjunction with these financial statements

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF CHANGES IN FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Notes	Residential Property Funds	Commercial Property Funds	Carpark Funds	Total
		S\$	S\$	S\$	S\$
Balance as at 1 April 2009		120,500,419	20,167,859	1,898,331	142,566,609
Surplus for the year		1,659,779	3,411,036	1,250,573	6,321,388
Appropriation of Accumulated Surpluses to Town Improvement & Project Funds		(1,500,000)	(1,500,000)	-	(3,000,000)
Balance as at 31 March 2010		120,660,198	22,078,895	3,148,904	145,887,997
Surplus for the year		12,329,823	2,281,856	1,442,744	16,054,423
Inter-fund transfers	23	836,460	(836,460)	-	-
Balance as at 31 March 2011		133,826,481	23,524,291	4,591,648	161,942,420

The surplus/(deficit) for the year comprises the following :

	Notes	2011	2010
		S\$	S\$
Accumulated Surpluses	5	1,944,115	2,875,370
Sinking Funds	6	14,139,889	1,203,290
Town Improvement & Project Funds	7	(85,785)	1,963,968
Neighbourhood Renewal Programme Funds	15	56,204	278,760
		16,054,423	6,321,388

The annexed notes form an integral part of and should be read in conjunction with these financial statements

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	<u>Notes</u>	<u>2011</u> S\$	<u>2010</u> S\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before Taxation and Government Grant		(1,951,268)	(1,102,886)
Adjustments for :			
Depreciation	16	6,741	19,386
Loss on written of fixed assets		-	68
Investment income of Routine Fund (included in investing activities)		(146,049)	(108,072)
Operating deficit before working capital changes		<u>(2,090,576)</u>	<u>(1,191,503)</u>
Working capital changes			
Operating receivables		1,267,841	(2,180,386)
Operating payables		(1,546,187)	1,842,758
Cash used in operations		<u>(2,368,922)</u>	<u>(1,529,132)</u>
Income tax paid	13	(525,369)	(487,909)
Sinking Fund expenditure inclusive of goods and services tax		(15,827,574)	(22,590,693)
Town Improvement and Project expenditure		(3,197,098)	(5,428,997)
Net cash used in operating activities		<u>(21,918,963)</u>	<u>(30,036,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	16	(8,984)	(6,291)
Cash and fixed deposits placed with fund managers		432,300	17,044,556
Net decrease in investment		(7,378,353)	(6,602,719)
Net cash (used in)/generated from investing activities		<u>(6,955,037)</u>	<u>10,435,546</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Fund transferred from Service and Conservancy		15,604,331	15,553,097
Government grant received for sinking funds		16,005,927	6,091,292
Government grant received for town improvement and project	5	3,111,313	4,392,966
Government grant received for neighbour renewal programme		56,204	278,760
Net Cash generated from Financing Activities		<u>34,777,775</u>	<u>26,316,115</u>
Net increase in cash and cash equivalents		5,903,775	6,714,930
Cash and cash equivalents at the beginning of the year		62,723,654	56,008,724
Cash and cash equivalents at the end of the year		<u>68,627,429</u>	<u>62,723,654</u>
Cash and cash equivalents comprise the following:			
		<u>2011</u> S\$	<u>2010</u> S\$
Fixed deposits	21	63,590,732	57,781,747
Cash and bank balances	21	10,873,589	11,211,099
		<u>74,464,321</u>	<u>68,992,846</u>
Less:			
Cash placed with fund managers		(3,345,895)	(4,576,094)
Fixed deposits placed with fund managers		(2,490,997)	(1,693,098)
		<u>68,627,429</u>	<u>62,723,654</u>

The annexed notes form an integral part of and
should be read in conjunction with these financial statements

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACTIVITIES

Hong Kah Town Council ("Town Council") was formed on 5 July 1989 under the Town Councils Act (Chapter 329A). The functions of the Town Council are to control, manage, maintain and improve the common property of residential and commercial property in the housing estates of the Housing and Development Board (HDB) within the Town. The Town consists of the Hong Kah Group Representation Constituency and Chua Chu Kang Single Member Constituency.

The principal place of operation is at 309, Choa Chu Kang Ave 4, #02-02 Choa Chu Kang Centre, Singapore 680309.

The financial statements of the Town Council for the financial year ended 31 March 2011 were authorised for issue by the management of the Town Council on 22 August 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including all related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the provisions of the Town Councils Act, Cap 329A.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies set out below.

(b) Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

Apart from those involving estimations, the management has made judgements in the process of applying the Town Council's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 2(r).

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Funds

TOWN COUNCIL FUNDS

In accordance with Section 33(1) of the Town Councils Act, separate funds are established to account for the management of the different types of properties. The types of properties currently under the management of the Town Council are as follows:

Residential Property

Commercial Property

Car parks are managed by the Town Council for the HDB on an agency basis.

These routine funds related to properties under management, together with Sinking Funds, Town Improvement and Project Funds and Neighbourhood Renewal Programme Funds form the Town Council fund.

All monies received by the Town Council are paid into and related expenditure is met out of the appropriate funds set up for each property type managed.

Assets and liabilities of the various funds of the Town Council are pooled at the end of each reporting period.

Sinking funds

In accordance with Section 33(4) of the Town Councils Act, separate Sinking Funds are established for improvement to, management and maintenance of residential and commercial properties. These Sinking Funds are maintained as part of the Town Council's Fund.

Under the Town Councils Act, the Minister of National Development may, from time to time, prescribe the minimum amounts of conservancy and service fees and grants-in-aid to be paid into the Sinking Funds.

The minimum amounts to be paid, by property type, into the Sinking Funds are as follows:

- | | |
|------------------------------------|---|
| (i) 1-room to 3-rooms | 30% of the conservancy and service fees and grants-in-aid |
| (ii) 4-rooms | 35% of the conservancy and service fees and grants-in-aid |
| (iii) 5-rooms | 35% of the conservancy and service fees |
| (iv) Executive | 35% of the conservancy and service fees |
| (v) Shop with living accommodation | 35% of the conservancy and service fees |
| (vi) Commercial property | 35% of the conservancy and service fees |

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Funds

TOWN COUNCIL FUNDS (CONT'D)

These minimum contributions are treated as operating income transfers and are deducted from conservancy and service fees and government grants in the statement of comprehensive income.

The Sinking Funds are utilised for cyclical major repainting, renewal or replacement of roofing system, water tanks, pumps and water supply system, lightning protection system, lifts, installation of any sensor and starter controller to the time-controlled booster pumping system, installation or replacement of any video monitoring devices in lifts, major repairs and maintenance of the common area and contributions to the HDB in respect of general upgrading works carried out on the common property as defined under the Housing and Development Act.

Town improvement and project funds

Town Improvement and Project Funds are established and maintained as part of the Town Council Fund. These funds are utilised for improvement and development works in the Town.

The Town Improvement and Project Funds comprise the amounts set aside for projects to be carried out in the next financial year. All expenditures on town improvement and projects are appropriated from these reserves.

Neighbourhood renewal programme funds

The Neighbourhood Renewal Programme (NRP) was introduced in Aug 2007 in response to feedback received from residents during the Forum on HDB Heartware for more active consultation on the improvements to be provided in their precincts.

The NRP, which replaces the Interim Upgrading Programme (IUP) Plus, focuses on block and neighbourhood improvements. It is implemented on a larger area basis of 2 or more contiguous precincts

Blocks built up to 1989 and have not undergone the Main Upgrading Programme (MUP), Interim Upgrading Programme (IUP) or IUP Plus are eligible for NRP.

This programme is fully funded by the Government and implemented by the Town Council.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) ALLOCATION OF GENERAL OVERHEADS

Expenditure not specifically related to any property type managed, for example, administrative overheads, tree planting and pruning are allocated to the various property types using equivalent dwelling units as follows:

<u>Property Type</u>	<u>Equivalent Dwelling Unit(s)</u>
1 Residential Property Unit	1
1 Commercial Property Unit	2
6 Car Lots	1
36 Motor Cycle Lots	1
4 Lorry Lots	1

No overhead is allocated to the Sinking Funds, Town Improvement and Project Funds and Neighbourhood Renewal Programme Funds.

(e) GOVERNMENT GRANTS

Government grants received by the Town Council include Conservancy and Service Grant and Citizens' Consultative Committee Grant.

The Goods and Services Tax (GST) Subvention is given as grants-in-aid to Town Councils for absorbing the GST increase in Conservancy & Service Charges for residential properties.

Government grants are accounted for on an accrual basis. Grants to meet the current year's operating expenditure are taken to the statement of comprehensive income.

Lift Upgrading Programme ("LUP") assistance Grant is given as grants-in-aid to Town Councils for carrying out the Lift Upgrading for lifts to lands at every storey.

Government grants are recognised at fair value when there are reasonable assurance that the conditions attaching to it will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis unless the accounting treatment is specifically stipulated.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) INVESTMENT IN FINANCIAL ASSETS

Classification

The Town Council classifies its investments in financial assets in the following categories: financial assets fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial statements at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the reporting date.

Funds with Fund Managers have been designated as financial assets at fair value through profit or loss. Funds with Fund Managers represent the market value of the portfolio of assets placed with Fund Managers at the beginning of each management term plus actual gains less losses (determined on a portfolio basis), net of the management fees payable during the management term.

On expiry of the management term, any surplus over and above the performance benchmark will be shared between the Town Council and certain Fund Managers on the agreed basis.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) INVESTMENT IN FINANCIAL ASSETS (CONT'D)

Classification (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Town Council provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are included in conservancy and service receivables, other receivables and current assets at the end of each reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Town Council's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Gains and losses are recognised in the statement of comprehensive income when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. The Town Council's held-to-maturity investments include investments in fixed and variable rate corporate bonds.

Recognition and derecognition

Purchase and sale of investments are recognised on trade-date; the date on which the Town Council commits to purchase or sell the assets. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Town Council has transferred substantially all risks and rewards of ownership.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) INVESTMENT IN FINANCIAL ASSETS (CONT'D)

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" investment category are included in the statement of comprehensive income in the period in which they arise.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Town Council establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Fair value estimation

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Town Council is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The carrying amount of current receivables and payables are assumed to approximate their fair values.

Impairment of financial assets

The Town Council assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the statement of comprehensive income on equity investments are not reversed through statement of comprehensive income, until the equity investments are disposed of.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would determined, net of depreciation or amortisation, if no impairment loss had been recognised.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) PLANT AND EQUIPMENT

Plant and equipment are carried at cost less accumulated depreciation and any impairment loss if the recoverable amount of the asset is estimated to be lower than its carrying amount. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Cost also includes acquisition cost, and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised only when it is probable that future economic benefits associated with the asset will flow to the Town Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income when they are incurred.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned as follows:

Furniture, fixtures and fittings	5 years
Office equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Plant and equipment with individual cost below S\$1,000 are expensed in the Income and Expenditure Statement in the year of purchase. Fully depreciated assets are retained in the financial statements until they are no longer in use.

On disposal or retirement of plant and equipment, the difference between the net proceeds and carrying amount is taken into the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate, at each reporting date.

(h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) FUNDS WITH FUND MANAGERS

Funds with fund managers represent the cost of the portfolio of assets placed with fund managers at the beginning of each management term plus investment income less management fees payable during the management term.

Funds with fund managers comprise mainly of equities, bonds, cash and fixed deposits. Equities and bonds are stated on an aggregated portfolio basis.

On expiry of the management term, any surplus over and above the performance benchmark will be shared between the Town Council and the fund managers on the agreed basis.

(j) CONSERVANCY AND SERVICE DEBTORS

Conservancy and service receivables, which generally have 30-days terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts.

Allowance is made in the financial statements for doubtful debts in respect of arrears which are outstanding for more than two years and/or where collection is doubtful.

All known bad debts are written off in accordance with the Town Councils Financial Rules.

(k) OTHER DEBTORS

Other receivables recognised initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses.

(l) CREDITORS AND ACCRUED EXPENSES

Liabilities for trade and other amounts payable, which are generally settled on 30-90 days terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to Town Council.

(m) PROVISIONS

Provisions are recognised when the Town Council has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) OPERATING LEASES

Operating leases are accounted for in the statement of comprehensive income on a straight-line basis over the periods of the respective leases.

(o) RECOGNITION OF INCOME

- (i) Conservancy and service fees are recognised on a time proportionate basis for the period when service is rendered.
- (ii) Agency fees for routine maintenance of HDB carparks are recognised when due.
- (iii) Interest income from investments in bonds and fixed deposit are recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount.
- (iv) Investment income from funds with fund managers, net of management fee, is recognised on an accrual basis.

(p) TAXATION

Tax is provided on the following income:

- (i) Income derived from investments;
- (ii) Fees, rents and other charges received from non-residents or non-owners of properties in the Town for use of common properties; and from maintenance of car park which the Town Council is managing on behalf of the HDB;
- (iii) Donations from non-residents or non-owners of properties in the Town; and
- (iv) Agency fee derived from acting as agents for the HDB.

In respect of government grants received, the Town Council has been granted remission under Section 92(2) of the Income Tax Act (Chapter 134).

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) TAXATION (CONT'D)

The Town Council's current income tax liabilities for current and prior periods are recognised in profit or loss for the period at the amounts expected to be paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

The Town Council has no material deferred tax liability as there are no material differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits.

(q) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Town Council reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated amortization, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised as income immediately or credited to the fund to which the asset relates.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) FOREIGN CURRENCY TRANSACTIONS

The financial statements of the Town Council are measured and presented in Singapore dollars, which is the currency of the primary economic environment in which the Town Council operates (its functional currency).

In preparing the financial statements of the Town Council, transactions in currencies other than the Town Council's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in Town Council funds and reserves. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in Town Council funds and reserves.

(s) FINANCIAL LIABILITIES

Initial recognition, measurement and derecognition of financial liabilities:

A financial liability is recognised at each reporting date when, and only when, the Town Council becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability at fair value is normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed off immediately. The transactions are recorded at the date of transaction.

The Town Council derecognises financial liability when, and only when, its obligations are discharged, cancelled or expired.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) FINANCIAL LIABILITIES (CONT'D)

Subsequent measurement:

Subsequent measurement based on the classification of financial liabilities of the respective categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: As at the reporting date, there were no financial liabilities classified under this category.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Payables and borrowings are classified under this category. Items classified within current payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

3. CRITICAL JUDGMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Critical judgments in applying the Town Council's accounting policies

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarises estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and significant judgements made in the process of applying the Town Council's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

**3. CRITICAL JUDGMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES
(CONT'D)**

Key sources of estimation uncertainty (Cont'd)

i) Income taxes

The Town Council has exposure to income taxes in Singapore. Judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Town Council recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made.

ii) Impairment of conservancy and service fees receivable and other receivables

The Town Council assesses at each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Town Council considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flow are estimated based on historical loss experience for assets with similar credit risk characteristics.

iii) Allowance for doubtful conservancy and service fee receivable

Allowance for doubtful conservancy and service debts amounting to S\$ 477,805(2010 : S\$540,528) as stated in Note 18 has been estimated on the basis of age of debts, result of recovery efforts and historical experience.

Other receivables mainly consists of grants receivables from the Citizens' Consultative Committees (CCC) for approved projects as stated in Note 14 and no allowance has been provided for. Allowance is applied to other receivables if events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful of other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of other receivables and the allowance for impairment in the financial year in which such estimate has been changed.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

**3. CRITICAL JUDGMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES
(CONT'D)**

Key sources of estimation uncertainty (Cont'd)

iv) *Impairment of non-financial assets*

The Town Council adopts the guidance of FRS 36 Impairment of Assets and FRS 39 Financial Instruments: Recognition and Measurement in determining when an asset is impaired. This assessment requires certain level of judgement. The Town Council evaluates, among other factors, the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and near-term economic benefit for the asset, changes in technology and operational and financing cash flow.

v) *Useful lives of plant and equipment*

The cost of plant and equipment for the Town Council is depreciated on the straight-line basis over the plant and equipment's estimated economic useful lives. Changes in the expected useful lives and the technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Town Council's plant and equipment at the end of each reporting period is disclosed in Note 3 to the financial statements.

vi) *Held-to-maturity investments*

The Town Council follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement ("FRS39") on classifying non-derivatives financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Town Council evaluates its intention and ability to hold such investments to maturity.

If the Town Council is unable to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

If the class of held-to-maturity investments is tainted, the fair value would increase by S\$389,253 (2010: increased by \$Nil), with a corresponding entry in the fair value reserve in shareholders' equity.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Town Council is exposed to a variety of financial risks, including market risk, liquidity risk, credit risk, effects of changes in fair values of financial assets and liabilities, foreign exchange rates and interest rates, arising in the normal course of the Town Council's activities. The Town Council reviews and agrees with the managing agent, the policies for managing each of these risks and they are summarised below.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and quoted equity and debt securities, that will affect the Town Council's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

In managing these risks, the Town Council appoints reputable fund managers under investment mandates which allow the Town Council option to withdraw the funds at any time, subject to notice.

Liquidity risk

Liquidity risk arises in the general funding of the Town Council's operating activities. It includes the risk of not being able to fund operating activities at settlement dates and liquidate investments in a timely manner at reasonable prices. The Town Council manages its liquidity risk by investing in a mix of short-term deposits with staggered maturity dates and long-term investments to ensure availability of funds.

The following table analyses financial liabilities according to their expected payment dates (contractual and undiscounted cash flows):

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Creditors and accrued expenses:		
Less than 1 year	<u>4,450,322</u>	<u>6,099,199</u>

The contractual undiscounted cash flows of the non derivatives financial liabilities due within 12 months equal their carrying amounts as the impact of discounting is not significant.

The average credit period taken to settle these payables is about 30 - 90 days (2010: 30 - 90 days). It is expected that all the liabilities will be paid when due. The Town Council expects to meet its cash commitments with cash inflows from operating activities and government grants.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

As at the reporting date, the Town Council has no significant concentrations of credit risk. Defaults in payment of conservancy and service charges are monitored and appropriate action is taken after evaluation. Allowances for doubtful debts are made at progressive percentages of outstanding debts based on the age of overdue debts. Such percentages are determined after taking into consideration factors stated in Note 3(ii) and (iii).

Surplus cash is placed with reputable financial institutions or invested in Singapore government bonds and Government Link Companies.

Exposure to credit risk

The carrying amounts of financial assets represent the Town Council's maximum exposure to credit risk. The maximum exposure to credit risk as at the reporting date is as follows:

	2011	2010
	S\$	S\$
Held-to-maturity investments	35,250,000	2,000,000
Conservancy and service debtors	1,615,729	1,983,062
Other debtors	7,761,623	8,691,609
Interest receivable	577,791	582,094
Financial assets at fair value through profit & loss	47,902,882	70,698,509
Fixed deposits	63,590,732	57,781,747
Cash and bank balances	10,873,589	11,211,099
	<u>167,572,346</u>	<u>152,948,120</u>

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and /or impaired.

The age analysis of conservancy and service debtors past due and/or impaired is as follows:

	Note	2011	2010
		S\$	S\$
Not past due		-	-
Past due 0-12 months		1,615,729	1,864,988
Past due 12-24 months		208,200	245,764
Over 24 months		269,605	412,838
		<u>2,093,534</u>	<u>2,523,590</u>
Allowance for impairment		<u>(477,805)</u>	<u>(540,528)</u>
	18	<u>1,615,729</u>	<u>1,983,062</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Conservancy and service fees receivable amounting to S\$1,615,729 (2010: S\$1,983,062) that are past due at the year-end date but not impaired, as the management believes that it will be collectible in the foreseeable future as a result of recovery efforts and historical experience.

Fair value of financial assets and liabilities

The carrying amounts of short-term financial assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements. The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to level 1 of the fair value hierarchy quoted market price.

Interest rate risk

The Town Council's exposure interest rate risk relates primarily to interest-bearing fixed deposits with financial institutions. Hence, interest income fluctuates with changes in short-term interest rates. Its policy is to obtain the most favourable interest rates available for placement of its fixed deposits and investment in bonds.

Fixed deposits are placed for varying periods from one month to one year. The interest rates ranges from 0.43% to 1.1% (2010: 0.3875% to 2.14%) per annum.

The fixed deposits are denominated in Singapore dollars.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The currency giving risk to this risk is primarily US Dollar, Hong Kong dollar, Thailand Baht, Taiwan dollar and the Australian dollar. At present, the Town Council does not have any formal policy for hedging against exchange exposure. It is not the Town Council's policy to enter into foreign currency forward contracts to hedge against exposure from foreign currency fluctuations.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Town Council's surplus if the US dollar and Australian dollar changes against SGD by 5% for the financial years ended 31 March 2011 and 2010 respectively with all other variables including tax rate being held constant, the effects will be as follows:

	<u>2011</u> Surplus after government grants S\$	<u>2010</u> Surplus after government grants S\$
<u>US dollar against SGD</u>		
- Strengthened	(281,692)	(261,156)
- Weakened	281,692	261,156
<u>Taiwan dollar against SGD</u>		
- Strengthened	(31,732)	-
- Weakened	31,732	-
<u>Australian dollar against SGD</u>		
- Strengthened	(76,218)	(52,090)
- Weakened	76,218	52,090
<u>Hong Kong dollar against SGD</u>		
- Strengthened	(80,907)	(24,908)
- Weakened	80,907	24,908

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

5. ACCUMULATED SURPLUSES

The (deficit)/surplus for the year attributable to the various activities is carried forward as Accumulated Surplus in the respective funds as follows :

	Notes	Residential Property		Commercial Property		Carpark		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
		SS	SS	SS	SS	SS	SS	SS	SS
OPERATING INCOME									
Conservancy and service fees		43,303,100	43,141,238	1,709,711	1,706,197	-	-	45,012,811	44,847,435
Less: Operating transfer to Sinking Funds (minimum required by law)	6	15,005,931	14,955,927	598,400	597,170	-	-	15,604,331	15,553,097
		28,297,169	28,185,311	1,111,311	1,109,027	-	-	29,408,480	29,294,338
Agency fees	8	-	-	-	-	4,163,668	3,854,352	4,163,668	3,854,352
Other income	9	908,960	957,850	1,631,551	1,277,682	131,683	135,492	2,672,194	2,371,024
		29,206,129	29,143,161	2,742,862	2,386,709	4,295,351	3,989,844	36,244,342	35,519,714
Less:									
OPERATING EXPENDITURE									
OPERATING (DEFICIT)/SURPLUS		34,491,124	32,961,722	751,560	728,821	2,826,157	2,711,081	38,068,841	36,401,624
Add:									
INVESTMENT INCOME	11	127,720	94,541	2,936	2,172	15,393	11,359	146,049	108,072
(DEFICIT)/SURPLUS BEFORE TAXATION AND GOVERNMENT GRANTS		(5,157,275)	(3,818,561)	1,991,302	1,657,888	1,469,194	1,278,763	(1,824,499)	(881,910)
Less:									
GOODS AND SERVICES TAX	12	238,579	287,851	5,484	6,614	28,755	34,583	272,818	329,048
INCOME TAX EXPENSE	13	108,597	41,336	2,496	950	13,088	4,966	124,181	47,252
		(5,504,451)	(4,053,207)	1,986,258	1,652,496	1,442,744	1,250,573	(2,075,449)	(1,150,138)
(DEFICIT)/SURPLUS BEFORE GOVERNMENT GRANTS									
Add:									
Government grants	14	19,038,610	10,372,368	78,630	111,890	-	-	19,117,240	10,484,258
Less: Transfer to Town Improvement and Project Funds	7	3,032,683	4,281,076	78,630	111,890	-	-	3,111,313	4,392,966
Transfer to Sinking Funds	6	11,986,363	2,065,784	-	-	-	-	11,986,363	2,065,784
		4,019,564	4,025,508	-	-	-	-	4,019,564	4,025,508
SURPLUS/(DEFICIT) AFTER GOVERNMENT GRANTS		(1,484,887)	(27,699)	1,986,258	1,652,496	1,442,744	1,250,573	1,944,115	2,875,370
Add: ACCUMULATED SURPLUSES AT 1 APRIL		648,427	2,176,126	5,941,709	5,789,213	3,148,904	1,898,331	9,739,040	9,863,670
Less: Transfer of Accumulated Surpluses		-	(1,500,000)	-	(1,500,000)	-	-	-	(3,000,000)
Inter-fund transfers	23	836,460	-	(836,460)	-	-	-	-	-
ACCUMULATED SURPLUSES AT 31 MARCH		-	648,427	7,091,507	5,941,709	4,591,648	3,148,904	11,683,155	9,739,040

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONT'D)**

6. SINKING FUNDS

	Notes	Residential Property		Commercial Property		Total	
		2011	2010	2011	2010	2011	2010
		S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 April		117,638,355	116,743,294	14,484,071	14,175,842	132,122,426	130,919,136
Add/(Less):							
GAIN ARISING FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	11	2,924,546	6,499,300	59,684	132,639	2,984,230	6,631,939
CYCLICAL GRANT - LUP ASSISTANCE	5, 14	9,925,291	-	-	-	9,925,291	-
OPERATING TRANSFER FROM CONSERVANCY AND SERVICE FEES (minimum required by law)	5	15,005,931	14,955,927	598,400	597,170	15,604,331	15,553,097
TRANSFER FROM GOVERNMENT GRANTS	5, 14	2,061,072	2,065,784	-	-	2,061,072	2,065,784
		29,916,840	23,521,011	658,084	729,809	30,574,924	24,250,820
Less:							
EXPENDITURE		14,902,640	22,012,146	337,310	409,053	15,239,950	22,421,199
		14,902,640	22,012,146	337,310	409,053	15,239,950	22,421,199
Less:							
GOODS AND SERVICES TAX	12	575,872	166,104	11,752	3,390	587,624	169,494
INCOME TAX EXPENSE	13	595,311	447,700	12,150	9,137	607,461	456,837
		131,481,372	117,638,355	14,780,943	14,484,071	146,262,315	132,122,426
Represented by:							
NON CURRENT ASSETS							
Held-to-maturity investment	17	31,250,000	2,000,000				
CURRENT ASSETS							
Conservancy and service debtors		336,183	419,201				
Other debtors		356,323	248,446				
Interest receivable		530,168	557,901				
Financial assets at fair value through profit or loss		47,902,882	70,698,509				
Fixed deposits		57,590,732	48,781,747				
Cash and bank balances		5,477,306	7,145,842				
Due from accumulated surpluses		4,901,919	5,188,509				
		117,095,513	133,040,155				
Less:							
CURRENT LIABILITIES							
Conservancy and services fees received in advance		158,096	145,779				
Creditors and accrued expenses		1,317,641	2,295,847				
Income tax payable		607,461	476,103				
		2,083,198	2,917,729				
NET CURRENT ASSETS		115,012,315	130,122,426				
		146,262,315	132,122,426				

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONT'D)**

7. TOWN IMPROVEMENT AND PROJECT FUNDS

	Notes	Residential Property		Commercial Property		Total	
		2011	2010	2011	2010	2011	2010
		SS	SS	SS	SS	SS	SS
Balance at 1 April		2,094,656	1,580,999	1,653,115	202,804	3,747,771	1,783,803
Add: Transfer from government grants	5, 14	3,032,683	4,281,076	78,630	111,890	3,111,313	4,392,966
Less: Expenditure		3,117,194	5,267,419	79,904	161,579	3,197,098	5,428,998
Add Appropriation from accumulated surpluses	5	-	1,500,000	-	1,500,000	-	3,000,000
Balance at 31 March		2,010,145	2,094,656	1,651,841	1,653,115	3,661,986	3,747,771
Represented by:		2011	2010				
		SS	SS				
Current assets							
Grants receivable		5,664,712	6,052,928				
Other receivables		-	257,442				
Totals assets		5,664,712	6,310,370				
Current liabilities							
Creditors and accrued expenses		882,240	716,254				
Amount due to accumulated surplus		1,120,486	1,846,345				
Total liabilities		2,002,726	2,562,599				
Net assets		3,661,986	3,747,771				

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (CONT'D)

8. AGENCY FEES

These are fees earned for routine maintenance of HDB's carparks in the Town.

9. OTHER INCOME

	2011	2010
	S\$	S\$
Interest on late payment of conservancy and service fees	203,859	262,133
Liquidated damages	257,267	213,683
Temporary occupation licenses	1,596,274	1,246,881
Usage of void deck, water, electricity and common property	343,344	382,230
Income from forfeiture of tender deposits	138,534	117,991
Others	132,916	148,106
	<u>2,672,194</u>	<u>2,371,024</u>

10. GENERAL AND ADMINISTRATIVE EXPENDITURE

	2011	2010
	S\$	S\$
Advertising, publicity and public relations	318,717	166,634
Audit fee	27,000	27,000
Computer services	357,746	391,229
Depreciation	6,741	19,386
Fixed assets not capitalised	10,977	3,885
Fixed assets written off	-	68
Office rental and upkeep expenditure	352,547	310,096
Office supplies and stationery	132,353	143,009
Property tax	161,657	129,791
Town Councillors' allowance	126,800	126,200
Benefits to town councillors	3,700	2,450
Others	131,718	126,768
	<u>1,629,956</u>	<u>1,446,516</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (CONT'D)

11. INVESTMENT INCOME

	<u>2011</u>	<u>2010</u>
	S\$	S\$
<u>Accumulated Surpluses</u>		
Interest income:		
Fixed deposits and bank current accounts	146,049	108,072
	<u>146,049</u>	<u>108,072</u>
<u>Sinking Funds</u>		
Interest income:		
Fixed deposits and bank current accounts	424,621	615,306
Quoted debt securities held-to-maturity	579,919	92,000
Quoted debt securities at fair value through profit or loss	923,795	1,924,019
	1,928,335	2,631,325
Dividend income from quoted equity shares	1,006,891	919,679
Net foreign exchange gain/(loss)	493,868	(515,240)
Net gain/(loss) on sale of financial assets at fair value through profit or loss		
Quoted equity securities	174,520	(116,172)
Quoted debt securities	145,417	310,121
Unit trust rebates	4,618	-
Management fees to fund managers	(114,768)	(127,479)
(Loss)/Gain arising from changes in fair value of financial assets through profit or loss	(632,238)	3,571,720
Other expenses	(22,413)	(42,015)
	<u>2,984,230</u>	<u>6,631,939</u>

Hong Kah Town Council has placed funds with the local banks' investment arms, namely DBS Asset Management Ltd, Lion Global Investors Ltd and UOB Asset Management Ltd. In July 2010, the Town Council has transferred the bonds holdings previously managed by DBS Asset Management and holds the bonds directly to save on management fees. A total of bond holdings amounting to \$18,250,000 was transferred back to Town Council for direct management.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011 (CONT'D)**

12. GOODS AND SERVICES TAX

		2011	2010
	<u>Notes</u>	S\$	S\$
Disallowed input tax in the respective funds are as follows:			
Accumulated Surpluses	5	272,818	329,048
Sinking Funds	6	587,624	169,494
		<u>860,442</u>	<u>498,542</u>

13. INCOME TAX EXPENSE

a) Tax expense

		2011	2010
	<u>Notes</u>	S\$	S\$
Taxable income:			
Investment and interest income		3,502,657	2,877,014
Other income		604,875	248,973
		<u>4,107,532</u>	<u>3,125,987</u>
Tax calculated using Singapore tax rate at 17%		<u>731,642</u>	<u>504,089</u>
Accumulated Surplus	5	124,181	47,252
Sinking Funds	6	607,461	456,837
Tax Expense		<u>731,642</u>	<u>504,089</u>

b) Movements in income tax payable

	2011	2010
	S\$	S\$
Balance at 1 April	525,369	509,188
Add / (less) :		
Income Tax Paid	(525,369)	(487,908)
Current Year's Income Tax Expense	731,642	504,089
Balance at 31 March	<u>731,642</u>	<u>525,369</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONT'D)**

14. GOVERNMENT GRANTS

(i) Government grants for Town Council Fund is as follows:

Note	Conservancy and Service		Citizens' Consultative Committee		Government Subvention for GST Increase		LUP Assistance		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Government Grants received during the financial year	5	4,398,978	4,415,928	3,111,313	4,392,966	1,681,658	1,675,364	9,925,291	-	19,117,240
Less: Transfer to Town Improvement and Project Funds	7	-	-	3,111,313	4,392,966	-	-	-	-	3,111,313
Transfer to Sinking Funds	6	1,478,317	1,484,972	-	-	582,755	580,812	9,925,291	-	11,986,363
		<u>2,920,661</u>	<u>2,930,956</u>	<u>-</u>	<u>-</u>	<u>1,098,903</u>	<u>1,094,552</u>	<u>-</u>	<u>-</u>	<u>4,019,564</u>
										<u>4,025,508</u>

(ii) The total amount of the above grants received / receivable, including grants received in advance, since the formation of the Town Council, is as follows:

	2011	2010
	S\$	S\$
Cumulative total grants received / receivable up to 1 April	148,037,434	137,553,176
Grants received / receivable during the financial year	19,117,240	10,484,258
Cumulative total grants received / receivable up to 31 March	<u>167,154,674</u>	<u>148,037,434</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (CONT'D)

15. NEIGHBOURHOOD RENEWAL PROGRAMME

	2011	2010
	S\$	S\$
Balance as at 1 April	278,760	-
Less : Movement during the year	56,204	278,760
Balance as at 31 Mar	334,964	278,760

16. PLANT AND EQUIPMENT

	Furniture, fixtures and fittings	Office equipment	Total
	S\$	S\$	S\$
31 March 2011			
<u>COST</u>			
At 1 April 2010	608,349	256,988	865,337
Additions	-	8,984	8,984
Write off	-	(6,268)	(6,268)
At 31 March 2011	608,349	259,704	868,053
<u>ACCUMULATED DEPRECIATION</u>			
At 1 April 2010	607,614	242,496	850,110
Depreciation	420	6,321	6,741
Write off	-	(6,268)	(6,268)
At 31 March 2011	608,034	242,549	850,583
<u>Net book value</u>			
At 31 March 2011	315	17,155	17,470
31 March 2010			
<u>COST</u>			
At 1 April 2009	611,399	257,853	869,252
Additions	-	6,291	6,291
Write off	(3,050)	(7,156)	(10,206)
At 31 March 2010	608,349	256,988	865,337
<u>ACCUMULATED DEPRECIATION</u>			
At 1 April 2009	610,244	230,618	840,862
Depreciation	420	18,966	19,386
Write off	(3,050)	(7,088)	(10,138)
At 31 March 2010	607,614	242,496	850,110
<u>Net book value</u>			
At 31 March 2010	735	14,492	15,227

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap329A)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

17. HELD-TO-MATURITY INVESTMENTS

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Quoted debt securities, at amortised cost, net of allowance for impairment loss	35,250,000	2,000,000
Market value at 31 March	<u>35,250,000</u>	<u>2,000,000</u>

As of 31 March 2011, S\$31,250,000 of investments classified as held-to-maturity is retained in sinking funds (Note 6) and the remaining S\$4,000,000 investment is retained under routine fund.

The debt securities held-to-maturity as at 31 March 2011 has its nominal value at \$35,250,000 (2010 : \$2,000,000) with coupon rates ranging from 1.55% to 4.6% (2010: 4.6%). The maturity dates range from Oct 2012 to March 2021.

Bonds holding amounting to S\$18,250,000 was transferred from DBS Asset Management Ltd with S\$3,000,000 maturing during the financial year. The Town Council purchases S\$18,000,000 of HDB and LTA bonds in the year.

Held-to-maturity financial assets are denominated in Singapore dollars.

	<u>2011</u>	<u>2010</u>
	%	%
The effective interest rate was as follows:	2.80%	4.60%

Government bond with fixed interest of fair value for held-to-maturity financial assets was as follows:

Government bond with fixed interest rate of 1.55% to 4.6% (2010: 4.6%)	35,639,253	2,000,000
--	------------	-----------

The fair value of government bonds is based on quoted market rates at the reporting date.

Reclassifications out of financial assets at fair value through profit or loss

With effect from 31 July 2010, the town council reclassified certain financial assets at fair value through profit or loss to held-to-maturity investments under FRS 39 in line with the town council management positive intention and ability to hold these investments to maturity from the date of reclassification. The said reclassification has been accounted for prospectively, hence no third statement of financial position is required.

The reclassifications were made at nominal value at that date. The table below sets out the financial assets reclassified and their carrying and fair values:

	<u>2011</u>		
	<u>Amounts reclassified</u>	<u>Carrying value</u>	<u>Fair value</u>
	S\$	S\$	S\$
Financial assets at fair value through profit or loss held to maturity investments	15,250,000	15,250,000	15,716,154

The table below sets out the amounts that would have been recognised in the year following reclassification if the reclassifications had not been made:

	<u>Other comprehensive income</u>
Financial assets at fair value through profit or loss held-to-maturity:	
Net change in fair value	<u>466,154</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap329A)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

18. CONSERVANCY AND SERVICE DEBTORS

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Conservancy and service debtors as at 1 April 2010	1,983,062	2,065,993
Additions for the year	110,472	457,597
	<u>2,093,534</u>	<u>2,523,590</u>
Less: Allowance for impairment as at 1 April	540,528	876,815
Bad debts written off	(27,912)	(246,659)
Reversal of provision for doubtful debts	(63,128)	(100,421)
Recovery of bad debts written off	28,317	10,793
Allowance for impairment as at 31 March	<u>477,805</u>	<u>540,528</u>
Conservancy and service debtors as at 31 March	<u><u>1,615,729</u></u>	<u><u>1,983,062</u></u>

Conservancy and service debtors are denominated in Singapore dollars.

19. OTHER DEBTORS

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Claims for Citizens' Consultative Committee funding receivable	5,664,712	6,050,272
Receivables arising from investment activities	3,205	32,683
Receivables from HDB	748,496	1,129,886
GST receivable from Inland Revenue Authority of Singapore	234,836	612,582
GST subvention receivable from Ministry of National Development	420,371	420,028
Recoverable from National Environment Agency	26,015	22,467
Prepaid expenses	601,138	403,851
Receivables from owners arising from revitalisation of shop scheme	50,820	9,078
Others	12,030	10,762
	<u><u>7,761,623</u></u>	<u><u>8,691,609</u></u>

Other debtors are denominated in Singapore dollars.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Quoted equity securities	20,878,945	19,128,966
Quoted debt securities	27,023,937	51,569,543
Total	<u><u>47,902,882</u></u>	<u><u>70,698,509</u></u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap329A)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS (CONT'D)

Movements in financial assets at fair value are as follows:

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Balance at 1 April	70,698,509	61,693,379
Add:		
Withdrawal of funds	(26,004,481)	(9,720,068)
Accrued income	2,072,452	3,175,731
Gain arising from changes in fair values	648,272	2,928,815
	(23,283,757)	(3,615,522)
Net changes in cash and other receivables and payables (included in funds under management) which are reclassified to the respective accounts	602,898	12,748,131
Less:		
Management fee	(114,768)	(127,479)
Balance at 31 March	<u>47,902,882</u>	<u>70,698,509</u>

The investments are managed by fund managers appointed by the Town Council based on terms and conditions stipulated on the respective investment agreement signed with the fund managers for the period of 3 years and 5 years and the contracts will expire at various dates ranging from 17 October 2011 to 30 September 2012. These investments are held with a long term horizon.

The weighted average effective interest rate of debt securities (bonds) for the financial assets at fair value at the balance sheet date was 3.31 % (2010 : 3.51%). The fair value of equity securities are based on the last quoted market price on the last market day of the financial year.

Financial assets at fair value investments that are denominated in currencies other than the functional currency of the Town Council are as follows:

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Australian Dollar	1,524,363	1,041,795
Hong Kong Dollar	1,615,954	478,659
Korean Dollar	505,282	-
Thailand Baht	243,640	181,993
United States Dollar	5,633,837	5,207,593
Malaysian Ringgit	409,809	171,836
Taiwan Dollars	<u>273,734</u>	<u>-</u>

21. CASH AND CASH EQUIVALENTS

	<u>2011</u>	<u>2010</u>
	S\$	S\$
Cash on hand	7,500	7,500
Cash at bank	7,520,194	6,627,505
Cash with fund managers	3,345,895	4,576,094
	10,873,589	11,211,099
Fixed deposits	63,590,732	57,781,747
	<u>74,464,321</u>	<u>68,992,846</u>

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap329A)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

21. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents that are denominated in currencies other than the functional currency of the Town Council are as follows:

	2011	2010
	S\$	S\$
Hong Kong Dollar	2,191	19,498
Taiwan Dollar	360,907	4,696
Malaysian Ringgit	2,413	4,949
Australian Dollar	12	-
United States Dollar	-	15,529

22. CREDITORS AND ACCRUED EXPENSES

	2011	2010
	S\$	S\$
Creditors and accrued expenses	4,260,594	5,821,431
Other payables arising from investment activities	189,728	277,768
	<u>4,450,322</u>	<u>6,099,199</u>

All creditors and accrued expenses are denominated in Singapore dollars.

23. INTER-FUND TRANSFERS

Under Section 33(9) of the Town Councils Act, the Town Council may transfer an amount not exceeding the surplus, from any of its funds constituting the Town Council's Fund, to a fund which is in deficit.

24. CAPITAL EXPENDITURE COMMITMENTS

	2011	2010
	S\$	S\$
Capital expenditure approved by the Town Council but not provided for in the accounts is as follows:		
Amount approved and contracted for	<u>26,272,485</u>	<u>27,090,846</u>

25. OPERATING LEASE ARRANGEMENTS

	2011	2010
	S\$	S\$
Minimum lease payments under operating leases included in the income and expenditure statement	<u>262,104</u>	<u>232,641</u>

At the reporting date, the Town Council has outstanding commitments under non-cancellable operating leases on office premises, which fall due as follows:

	2011	2010
	S\$	S\$
Within one year	504,648	568,081
In the second to fifth year inclusive	384,830	543,555
	<u>889,478</u>	<u>1,111,636</u>

Leases for office premises are negotiated for a term of 1 to 3 years. Leases are fixed at the commencement of the lease.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

26. Changes and adoption of financial reporting standards

On 1 April 2010, the Town Council adopted the new/revised FRS and INT FRS that are effective for the year ended 31 March 2011:

<u>FRS/INT FRS</u>	<u>Title</u>	<u>Effective date for period beginning on or after</u>
FRS 27 (Revised 2008) *	Consolidation and Separate Financial Statements	1.7.2009
FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1.6.2009
	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives	30.6.2009
FRS 101 *	First-Time Adoption of Financial Reporting Standards	1.7.2009
FRS101 (Amendment) *	Additional Exemptions for First-time Adopters	1.1.2010
FRS 102 (Amendment) *	Group Cash-settled Share-based Payment Transactions	1.1.2010
FRS 103 (Revised 2008) *	Business Combinations	1.7.2009
INT FRS 109	Amendments to INT FRS 109 and FRS 39 – Embedded Derivatives	30.6.2009
INT FRS 117 *	Distributions of Non-cash Assets to Owners	1.7.2009
INT FRS 119 *	Transfer of Assets from Customers	1.7.2009

* Not relevant to the Town Council's financial statements.

The above new/revised FRS or INT FRS did not have significant impact to the financial statements of the Town Council.

HONG KAH TOWN COUNCIL
(Established under the Town Councils Act, Cap 329A)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

26. Changes and adoption of financial reporting standards (cont'd)

Future changes in financial reporting standards

The Town Council has not adopted the following standards and interpretations that have been issued but not yet effective:

<u>FRS/INT FRS</u>	<u>Title</u>	<u>Effective date for period beginning on or after</u>
FRS 32 (Amendment) *	Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
INT FRS 119 *	Extinguishing Financial Liabilities with Equity Instruments 2	1 July 2010
FRS 24 (Revised 2010) *	Related Party Disclosures	1 January 2011
INT FRS 114 (Amendments) *	Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 115 *	Agreements for the Construction of Real Estate	1 January 2011
	The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)	1 March 2011
FRS 101 (Amendments) *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
FRS 107 (Amendments) *	Disclosures – Transfers	1 July 2011
FRS 12 (Amendments) *	Deferred Tax: Recovery of Underlying Assets	1 January 2012

* Not relevant to the Town Council's financial statements.

27. Subsequent events

As per the Town Councils Act, (Chapter 329A) Town Councils (Declaration of Towns) order 2011 and Town Councils (Establishment) order 2011 published on 27 May 2011, the Town Council of Hong Kah shall be known as the Town Council for the Town of Chua Chu Kang as from 27 May 2011.



HONG KAH TOWN COUNCIL

Main Office

309 Choa Chu Kang Avenue 4
#02-02 Choa Chu Kang Centre
Singapore 680309
Tel: 6764 3295
Fax: 6764 7208

Bukit Gombak Branch

Blk 524 Bukit Batok Street 52
#01-769
Singapore 650524
Tel: 6569 0388
Fax: 6569 1990

Nanyang Branch

Blk 952 Jurong West Street 91
#01-725
Singapore 640952
Tel: 6791 5755
Fax: 6791 7372